STATE OF NORTH DAKOTA

BISMARCK, NORTH DAKOTA

REPORT OF EXAMINATION

OF

PIONEER MUTUAL LIFE INSURANCE COMPANY
FARGO, NORTH DAKOTA

AS OF
DECEMBER 31, 2001

STATE OF NORTH DAKOTA

DEPARTMENT OF INSURANCE

I, the undersigned, Commissioner of Insurance of the State of North Dakota do hereby certify that I have compared the annexed copy of the Report of Examination of the

Pioneer Mutual Life Insurance Company

Fargo, North Dakota

as of December 31, 2001, with the original on file in this Department and that the same is a correct transcript therefrom and of the whole of said original.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal at my office in the City of Bismarck, this _____ day of _______________, 2003.

____
Jim Poolman
Commissioner of Insurance

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Fargo, North Dakota
April 1, 2003

Honorable Alfred W. Gross
Chair, (EX 4) Financial Condition Committee
Secretary, Southeastern Zone, NAIC
Commissioner
Bureau of Insurance
Commonwealth of Virginia
P.O. Box 1157
Richmond, VA 23218

Honorable John Morrison
Secretary, Western Zone, NAIC
Commissioner of Insurance
Montana Department of Insurance
840 Helena Avenue
Helena, MT 59601

Honorable Sally McCarty
Secretary, Midwestern Zone
Commissioner of Insurance
Indiana Department of Insurance
311 West Washington Street, suite 300
Indianapolis, IN 46204-2787

Honorable Jim Poolman
Commissioner of Insurance
North Dakota Insurance Department
600 East Boulevard
Bismarck, ND 58505-0320

Dear Commissioners:

Pursuant to your instructions and statutory requirements, an Association Examination has been made of the books, records and financial condition of

Pioneer Mutual Life Insurance Company
Fargo, North Dakota

Pioneer Mutual Life Insurance Company, hereinafter referred to as the "Company", was last examined as of December 31, 1996, by the North Dakota Insurance Department.

SCOPE OF EXAMINATION

This examination was a financial condition examination conducted in accordance with N.D. Cent. Code § 26.1-03-19.3 and observed guidelines and procedures contained in the National Association of Insurance Commissioners (NAIC) *Examiners Handbook*. The examination was conducted to determine the Company's financial condition, to assure its compliance with statutes, and to review its corporate affairs and insurance operations. This statutory examination covers the five-year period beginning January 1, 1997, and ending December 31, 2001, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of this statutory examination.

Workpapers provided by the Company's independent auditors were reviewed and where deemed appropriate, certain procedures and conclusions documented in those work papers have been relied upon and copied for inclusion into the working papers for this examination.

Lewis & Ellis, Inc. was contracted to perform an analysis of reserve methodology and compliance with formula minimum reserve standards.

All recommendations made in the prior report of statutory examination have been adequately addressed by the Company with the following exception:

Recommendation	**Action by the Company**
It is recommended that the Company make the proper filings for new security acquisitions within the time frame set forth in the *Purposes and Procedures of the SVO.*	At December 31, 2001, the Company owned six bonds and one issue of preferred stock that had not been filed for valuation with the SVO.

This examination was conducted by Examiners from the North Dakota Insurance Department, representing the Midwestern Zone. The Western Zone was invited to participate but declined the invitation.

HISTORY

General

Pioneer Mutual Life Insurance Company, hereinafter called the "Company", was incorporated on November 3, 1947, as a legal reserve mutual life insurance company.

The Company is an outgrowth of the society known as the Ancient Order of United Workmen which originated in Meadville, Pennsylvania in 1868. As an assessment organization, it issued charters to various divisions of the United States.

In 1889 the Grand Lodge of the Dakotas was formed and conducted business under that charter until 1895, at which time it split along state boundaries into two independent Orders. The North Dakota fraternal eventually absorbed the Grand Lodges of various states through a succession of mergers and mutualized itself in 1947.

Effective April 18, 1991, the Company entered into a facilities service agreement with Coordinated Insurance Services, Inc. (CIS), a subsidiary of Noridian Mutual Insurance Company (Noridian). The agreement allowed the Company to obtain administrative services from CIS (now Noridian Insurance Services, Inc.) and further provided that all of the Company's employees would become employees of Noridian.

On March 22, 2000, the Company entered into an affiliation agreement with American United Life Insurance Company for the purpose of broadening product lines and pursuing strategic alliances.

On December 20, 2001, the policyowner members of the Company approved a plan of reorganization under which the Company reorganized from a mutual insurance company to a stock company wholly-owned by American United Mutual Insurance Holding Company (AUMIHC). The Plan of Reorganization had previously been approved by the North Dakota Insurance Department and the Indiana Insurance Department on October 8, 2001, and October 16, 2001, respectively. The AUMIHC members approved the reorganization plan on December 13, 2001.

Surplus Notes

On March 31, 1999, the Company issued a $10,000,000 surplus note to American United Life Insurance Company (AUL). The terms of the surplus note provide for interest at 7.66% per annum, payable quarterly on March 31, June 30, September 30, and December 31, commencing on June 30, 1999, and continuing through the maturity date. Principal is payable in 60 equal installments of $166,666.67 payable quarterly on March 31, June 30, September 30, and December 31 of each year commencing on March 31, 2004, and continuing each year through the maturity date of March 31, 2019, plus a final payment of the entire outstanding principal balance, if any, on the maturity date.

The Company used the proceeds of the surplus note with AUL to repay a $10 million surplus note issued to Noridian Mutual Insurance Company (Noridian). The note with Noridian was issued effective December 31, 1996, with interest payable semiannually at the rate of 7.66% for the first 10 years and thereafter at the rate of 1.25% in excess of the 10-year treasury bond rate.

The Company was in compliance with all covenants of the surplus note with AUL at December 31, 2001. All principal and interest payments require the prior approval of the Commissioner.

Interest payments made on the surplus notes during the examination period are as follows:

Year	Interest Payments
1997	$765,996
1998	$765,996
1999	$763,374
2000	$766,000
2001	$766,000

MANAGEMENT AND CONTROL

Annual Membership Meetings

The Bylaws provide that the annual meeting of the members shall be held on the first Wednesday of March in each year at the hour of 10:00 a.m. for the purpose of electing directors and for the transaction of such other business as may come before the members.

Special meetings of the members may be called by the President or by two or more directors or by 10% or more of the members entitled to vote by written notice of demand given to the President or Secretary and containing the purposes of the meeting.

A quorum is those members present in person or represented by written proxies.

Board of Directors

The Bylaws specify that the business and affairs of the Company shall be managed by a Board of Directors consisting of not less than 9 and no more than 15 members, the number of which for each year shall be determined by the members at the Annual Meeting of the Company. Directors are elected at the annual meeting of the members and serve for five years and until a successor is duly elected and qualified. At least one-third of the directors shall be residents of the State of North Dakota.

The Bylaws state an annual meeting of the directors shall be held as soon as practical after the annual meeting of the members. Special meetings of the Board of Directors may be called by or at the request of the President or any two directors. Directors duly elected and serving at December 31, 2001, together with their addresses and business affiliations are as follows:

Name and Address	Business Affiliations
Keith D. Bjerke Fargo, ND	Executive Vice President of University Relations North Dakota State University
Richard W. Hall Jamestown, ND	President (retired) Jamestown Hospital
Thomas E. Hansen Fargo, ND	Senior Vice President & Regional Manager Community First Bankshares, Inc.
John C. MacFarlane Fergus Falls, Minnesota	President Otter Tail Power Company
Denis J. Olson Fargo, ND	President Cowgill-Olson Agency
R. Wade Schumacher Grand Forks, ND	President Schumacher Goodyear
James M. Swedback Fargo, ND	Chairman of the Board Pioneer Mutual Life Insurance Company
Douglas C. Oksendahl Fargo, ND	President Pioneer Mutual Life Insurance Company

Officers

Pursuant to the Bylaws, the officers of the Company shall be elected annually at the first meeting of the Board of Directors held after the annual meeting of the members. The officers of the Company shall be a President, one or more Vice Presidents, a Secretary, a Treasurer, a General Counsel, and an Actuary. Elected officers serving respective duties as of December 31, 2001, are as follows:

Officer	Title

Douglas C. Oksendahl	President
Gregory D. Morris	Secretary, Treasurer and Vice President
Duane L. Engebretson	Executive Vice President
Paul N. Kibler	Vice President
Graham J. Larson	Actuary

Committees

The Board of Directors approved appointments to various standing committees to assist the directors in various aspects of Company operations. The following standing committees and their respective members at December 31, 2001, were as follows:

Executive Committee

Douglas C. Oksendahl, Chairman
Thomas E. Hansen
James M. Swedback
Denis J. Olson

Investment Committee

Douglas C. Oksendahl, Chairman
Thomas E. Hansen
Denis J. Olson
James M. Swedback

Audit Committee

Keith D. Bjerke, Chairman
Richard W. Hall
John C. MacFarlane
R. Wade Schumacher
James M. Swedback
Douglas C. Oksendahl

CORPORATE RECORDS

Articles of Incorporation and Bylaws

The Bylaws and Articles of Incorporation and all amendments thereto were read by the Examiners. At a special meeting of the members held on December 20, 2001, the members approved the restatement of the Company's Articles of Incorporation and the adoption of new bylaws.

Minutes of Meetings of the Policyholders, Board of Directors, and Committees

The minutes of meetings of the policyholders, Board of Directors, and committees were reviewed for the period under examination and subsequent period. The minutes reflected the elections of directors and officers, approvals of investment transactions, and approvals of other pertinent matters requiring corporate review.

Conflict of Interest

The Board of Directors has adopted a policy statement on conflict of interest for disclosure of any possible conflicts. The procedure requires all directors, officers, and responsible employees to annually complete and sign a questionnaire indicating all possible conflicts.

The conflict of interest statements for the years under examination were reviewed and no differences were noted.

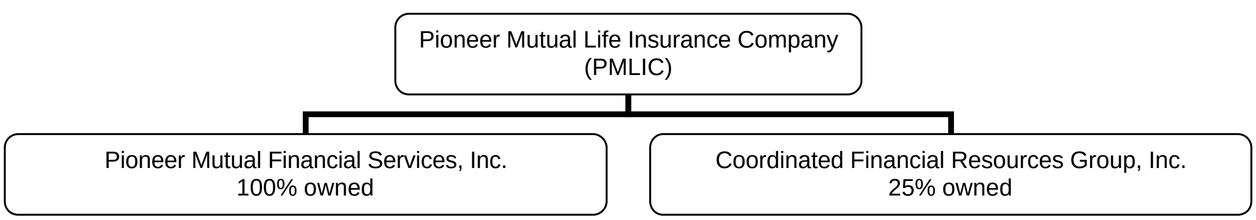
FIDELITY BOND AND OTHER INSURANCE

At December 31, 2001, the Company was a named insured on a financial institution bond (Standard Form No. 25) issued by the Hartford Fire Insurance Company. The bond has an aggregate loss limit of $2,000,000 which exceeds the minimum coverage suggested by the National Association of Insurance Commissioners.

The Company is also a named insured on other types of coverage including, but not limited to commercial property, directors and officers liability, and general liability.

AFFILIATED COMPANIES

At December 31, 2001, the Company was a member of the following holding company system:



Cost Sharing and Other Agreements

Facilities Service Agreement

Effective April 18, 1991, the Company entered into a Facilities Service Agreement with Coordinated Insurance Services, Inc. (CIS), a subsidiary of Noridian Mutual Insurance Company (Noridian). A summary of the agreement follows:

- CIS agrees to provide long-term administrative, marketing, and insurance services to the Company including but not limited to: marketing, underwriting, policy issue, claims administration, billing, accounting, premium and commission accounting, data processing, investments, and other administrative matters.

- The Company agrees to pay to CIS the actual reasonable cost of such services as set out by CIS on monthly statements.

- The agreement shall continue indefinitely unless terminated.

As previously noted, this agreement also provided for all employees of the Company to become employees of Noridian. The Company terminated the Facilities Service Agreement with Noridian on April 2, 2002.

Affiliation Agreement

On March 22, 2000, the Company entered into an Affiliation Agreement with American United Life Insurance Company (AUL) a mutual life insurance company located in Indianapolis, Indiana. The agreement required AUL to file an application to reorganize itself under the Indiana mutual insurance holding company law and for the Company to reorganize under AUL's mutual holding company structure. Both companies will retain their respective names and assets, liabilities, and capital and surplus. The agreement provides that the Company shall maintain a physical presence in Fargo, North Dakota, for at least 10 years from the reorganization date to perform certain functions including the development and management of its existing personal producing general agent distribution system and support of that function with appropriate underwriting and policyholder service functions. Employees who continue to work for the Company after the reorganization date shall become employees of the intermediate stock holding company of the mutual holding company.

Investment Management Services Agreement

The Company entered into an Investment Management Services Agreement with AUL on November 12, 1999, designating AUL as the Company's investment manager effective January 1, 2000. AUL agreed to provide a continuous investment program for the Company and will determine the composition of the Company's assets, provide investment research, place orders for the purchase and sale of assets, select brokers and dealers, and furnish periodic reports to the Company's Board of Directors.

In consideration of the services to be rendered by AUL, the Company shall pay AUL fees determined in accordance with a fee schedule ranging from 0.05% for public bonds and stocks to 0.25% for mortgage loans.

PENSION AND INSURANCE PLANS

All qualified full-time employees of Noridian Mutual Insurance Company (Noridian) are provided with group life insurance, accidental death and dismemberment, long-term disability, dental and vision benefits, and comprehensive medical expense benefits.

Retirement Plan

Benefits for eligible employees are accrued under a non-contributory plan administered by Noridian. Benefits are based upon the average of the highest three consecutive years in the last five years of employment immediately preceding retirement and years of service. The Company's funding policy is to fund pension retirement costs which are allocated by Noridian for benefits accrued on behalf the participants in the year for which benefits are earned. The Company terminated its participation in this plan effective December 31, 2001, and expensed the underfunding of the pension cost in 2001 in the amount of $1,513,000.

Postretirement Benefits

The Company provides certain health care and life insurance benefits for retired employees. In 1993, the Company changed its method of accounting for the costs of postretirement benefits to the accrual method and elected to amortize the transition obligation over 20 years. At December 31, 2001, the unamortized transition obligation was $1,001,449. The postretirement benefit plans were also terminated effective December 31, 2001. The amount expensed for the postretirement benefits in 2001 was $927,000.

Deferred Compensation

The Company had non-qualified deferred compensation plan agreements in effect at December 31, 2001, consisting mainly of plans elected by members of the Board of Directors for the deferral of board fees.

CONSULTING AGREEMENTS

Effective September 16, 1996, the Company entered into a consulting agreement with its former President. The agreement provides that the former President will receive compensation in the amount of $172,000 per year for the years 1997 through 2001 payable to him or his beneficiary. The agreement also entitled the former President to use of a Company vehicle equivalent to a 1995 Cadillac Eldorado. The contemplated duties include serving on committees of the Company, attendance at agent's conventions and industry meetings, and other assignments which may involve travel by the former executive.

STATUTORY DEPOSITS

The statutory deposits of the Company at December 31, 2001, were confirmed with the applicable Insurance Departments and are as follows:

Where Deposited	Type of Security	Par Value	Statement Value	Fair Value
Arkansas	Bond	$ 200,000	$ 213,861	$239,482
Georgia	Bond	50,000	51,230	55,390
Indiana	Bond	142,000	139,104	141,091
New Mexico	Bond	150,000	153,689	166,171
South Carolina	Bond	75,000	76,845	83,086
Texas	Bond	150,000	153,689	166,172
Virginia	Bond	200,000	204,919	221,562
North Dakota	Bond	1,858,000	1,820,103	1,846,109

The bond on deposit with the State of North Dakota is held for the protection of all policyholders.

TERRITORY AND PLAN OF OPERATION

The Company markets its insurance products primarily through the personal producing general agency system. The Company has one regional vice president and five managing general agents who are responsible for recruiting, selecting, and servicing personal producing general agents.

All agency contracts are made directly with the Company and are compensated on a commission basis pursuant to stated schedules provided by the Company. Quarterly production bonuses are also offered based upon the amount of the qualifying life insurance sold. The production bonus range from 5% to 15%.

At December 31, 2001, the Company was authorized to transact the business of insurance in the following 40 states and the District of Columbia:

Arizona	Indiana	Montana	South Carolina
Arkansas	Iowa	Nebraska	South Dakota
California	Kansas	Nevada	Tennessee
Colorado	Kentucky	New Mexico	Texas
Connecticut	Louisiana	North Dakota	Utah
Delaware	Maine	Ohio	Virginia
District of Columbia	Maryland	Oklahoma	Washington
Florida	Michigan	Oregon	West Virginia
Hawaii	Minnesota	Pennsylvania	Wisconsin
Idaho	Missouri	Rhode Island	Wyoming
Illinois			

REINSURANCE

The Company’s significant reinsurance treaties in force at December 31, 2001, are summarized below:

<u>Ceding Contracts:</u>

1. | | |
|---|---|
| Type: | Yearly Renewable Term, automatic and facultative |
| Reinsurer: | RGA Reinsurance Company |
| Scope: | UL-3, UL-4, Optimum UL, Premiere UL |
| Retention: | 20% of Company’s original retention of each inforce risk, the maximum original retention being $200,000. |
| Coverage: | 80% of the Company’s originally retained retention. |
| Premium: | Scheduled |
| Effective Date: | December 31, 1994 |
| Termination: | Continuous, with a 10-year recapture period. |

2. | | |
|---|---|
| Type: | Coinsurance |
| Reinsurer: | Transamerica Occidental Life Insurance Company |
| Scope | Optimum Plus UL |
| Retention: | 50% quota share |
| Coverage: | 50% quota share |
| Premium: | Scheduled |
| Effective Date: | September 1, 1995 |
| Termination: | 90 days written notice |

3. | | |
|---|---|
| Type: | Coinsurance |
| Reinsurer: | American United Life Insurance Company |
| Scope: | Deferred Annuity |
| Retention: | 0% quota share |
| Coverage: | 100% quota share |
| Premium: | Original Premiums |

Effective Date:	January 1, 2000
Termination:	60 days written notice

4. | | |
|---|---|
| Type: | Coinsurance |
| Reinsurer: | Lincoln Mutual Life Insurance Company |
| Scope: | Group life and group accidental death and dismemberment benefits |
| Retention: | 10% quota share |
| Coverage: | 90% quota share |
| Premium: | Original premium |
| Effective Date: | June 1, 1992 |
| Termination: | Either party by giving 90 days written notice |

5. | | |
|---|---|
| Type: | Coinsurance |
| Reinsurer: | Lincoln Mutual Life Insurance Company |
| Scope: | Universal life, interest sensitive whole life and term policies |
| Retention: | 0% |
| Coverage: | 100% quota share |
| Premium: | Original premium |
| Effective Date: | April 1, 1992 |
| Termination: | Either party by giving 90 days written notice |

The 100% quota share agreement (# 3) with AUL was terminated effective January 1, 2002.

All treaties subject to reserve credit limitations contain an insolvency clause as required by N.D. Cent Code § 26.1-02-21.

ACCOUNTS AND RECORDS

The Company's accounting procedures, internal controls, and transaction cycles were reviewed during the course of the examination and a trial balance as of December 31, 2001, was traced to the appropriate schedules of the Company's 2001 Annual Statement. The Company's ledgers are maintained electronically. Revenues and expenses were test checked to the extent deemed necessary.

The Company is audited annually by an outside firm of independent certified public accountants. The workpapers of this firm were made available to the Examiners and were used to the extent deemed appropriate for this examination.

FINANCIAL STATEMENTS

The following pages present a Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2001. this statement is followed by supporting statements and reconciliation presented in the following order:

Statement of Assets, Liabilities, Surplus and Other Funds, December 31, 2001
Summary of Operations, Year 2001
Reconciliation of Capital and Surplus, January 1, 1997 through December 31, 2001

Pioneer Mutual Life Insurance Company
Assets
as of December 31, 2001

	Assets	Assets Not Admitted	Net Admitted Assets
Bonds	$366,094,714		$366,094,714
Stocks:			
Preferred	422,217		422,217
Common	12,771		12,771
Mortgage Loans	27,368,859		27,368,859
Real Estate:			
Properties Held for the Production of Income	807,804		807,804
Properties Held for Sale	398,559	$94,580	303,979
Policy Loans	18,820,985		18,820,985
Cash	(1,505,181)		(1,505,181)
Short-term Investments	15,361,066		15,361,066
Other Invested Assets	58,806		58,806
Reinsurance Ceded:			
Amounts Recoverable from Reinsurers	256,814		256,814
Commissions and Expense Allowances Due	587,889		587,889
Other Amounts Receivable under Reinsurance Treaties	501,114		501,114
Electronic Data Processing Equipment	3,766		3,766
Federal Income Tax Recoverable (including $2,427,025 net deferred tax asset)	6,731,849	4,183,281	2,548,568
Guaranty Funds Receivable or on Deposit	395,774		395,774
Life Insurance Premiums and Annuity Considerations Deferred and Uncollected	494,888		494,888
Accident and Health Premiums Due and Unpaid	154		154
Investment Income Due and Accrued	7,058,247	81,386	6,976,861
Other Assets Nonadmitted	176,043	176,043	
Other Ledger Assets	80,350	41,962	38,388
Totals	$444,127,488	$4,577,252	$439,550,236

Pioneer Mutual Life Insurance Company
Liabilities , Surplus, and Other Funds
as of December 31, 2001

Aggregate Reserve for Life Policies and Contracts		$379,674,408
Aggregate Reserve for Accident and Health Policies		30,891
Liability for Deposit-Type Contracts		15,322,311
Policy and Contract Claims:		
Life		1,937,296
Accident and Health		1,078
Policyholder Dividends Due and Unpaid		1,481
Provision for Policyholders' Dividends Payable in Following Calendar Year:		
Dividends Apportioned for Payment to December 31, 2002		680,627
Premiums and Annuity Considerations Received in Advance		15,744
Interest Maintenance Reserve		980,827
Commissions to Agents Due or Accrued		588,276
General Expenses Due or Accrued		3,400,307
Taxes, Licenses, and Fees Due or Accrued		80,424
Federal Income Taxes		123,611
Unearned Investment Income		90,980
Amounts Withheld or Retained by Company as Agent or Trustee	96,726	
Amounts Held for Agents' Account		9,173
Remittances and Items Not Allocated		489,492
Asset Valuation Reserve		1,004,194
Interest and Other Liabilities		16,056
Deferred Compensation Plans		274,436
Guaranty Association and Accrued Vacation Liability		1,085,360
Total Liabilities		$405,903,698
Surplus Notes		10,000,000
Permanent Guaranty Fund		700,000
Unassigned Funds		22,946,538
Total Surplus		$ 33,646,538
Total Liabilities, and Surplus		$439,550,236

Pioneer Mutual Life Insurance Company
Summary of Operations
for the Year Ended December 31, 2001

Premiums and Annuity Considerations		$23,580,290
Net Investment Income		29,716,650
Amortization of Interest Maintenance Reserve		146,593
Commissions and Expense Allowances on Reinsurance Ceded		4,155,776
Legal Settlement		1,500,000
Miscellaneous Income		2,406
Total		$59,101,715
Deduct:		
Death Benefits	5,947,574	
Matured Endowments		179,276
Annuity Benefits		8,359,707
Disability Benefits and Benefits Under Accident and Health Policies		170,802
Surrender Benefits and Other Fund Withdrawals	29,374,263	
Interest and Adjustments on Policy or Deposit-Type Contract Funds		650,826
Payments on Supplementary Contracts with Life Contingencies		8,545
Increase in Aggregate Reserve for Life and Accident and Health Policies and Contracts		(5,030,918)
Total		$39,660,075
Commissions on Premiums and Annuity Considerations (Direct)		7,427,367
General Insurance Expenses		10,881,237
Insurance Taxes, Licenses, and Fees		751,032
Increase in Loading on Deferred and Uncollected Premium		(51,316)
Total		$58,668,395
Net Gain From Operations Before Dividends to Policyholders and Federal Income Taxes		433,320
Dividends to Policyholders		666,297
Net Gain From Operations After Dividends to Policyholders and Before Federal Income Taxes		$ (232,977)
Federal Income Taxes Incurred		810,092
Net Gain From Operations After Dividends to Policyholders and Federal Income Taxes and Before Realized Capital Gains or (Losses)		$ (1,043,069)
Net Realized Capital Gains or (Losses)		(2,920,823)
Net Income		$ (3,963,892)

Pioneer Mutual Life Insurance Company
Reconciliation of Capital and Surplus Account
January 1, 1997, through December 31,2001

	2001	2000	1999	1998	1997
Capital and Surplus, December 31, Previous Year	$33,529,568	$32,265,681	$31,087,171	$30,253,653	$26,424,102
Net Income	(3,963,892)	1,400,892	767,326	603,109	1,010,813
Change in Net Unrealized Capital Gains or (Losses)	1,082,065	(1,245,109)	232,240	(82,592)	164,112
Change in Net Deferred Income Tax	1,452,314				
Change in Non-Admitted Assets and Related Items	988,721	(48,798)	(60,562)	91,024	55,887
Change in Reserve on Account of Change in Valuation Basis	(238,675)				
Change in Asset Valuation Reserve	847,439	1,129,828	(24,280)	(74,486)	1,664,811
Cumulative Effect of Changes in Accounting Principles	(51,002)				
Change in Federal Income Taxes – Prior Year		27,074	(171,836)	296,463	(346,845)
Aggregate Policy Reserve Adjustment			435,621		1,280,773
Net Change in Capital and Surplus for the Year	116,970	1,263,887	1,178,510	833,518	3,829,551
Capital and Surplus, December 31, Current Year	$33,646,538	$33,529,568	$32,265,681	$31,087,171	$30,253,653

COMMENTS TO THE FINANCIAL STATEMENTS

Financial statement balances at December 31, 2001, are commented upon only if financial changes, recommendations, or special explanations are considered necessary.

Bonds

Six bonds and one issue of preferred stock had not been submitted for valuation with the Securities Valuation Office (SVO) of the NAIC as required by N.D. Cent. Code § 26.1-03-02.1. **It is again recommended that the Company make the proper filings for new security acquisitions within the time frame set forth in the *Purposes and Procedures Manual of the SVO.***

Mortgage Loans

Initially, some of the mortgage loan files did not contain adequate documentation needed to verify compliance with the statutory requirements set forth in N.D. Cent. Code § 26.1-05-19(24). In most instances, the Company was subsequently able to provide adequate documentation to the Examiners. The Examiners treated the remaining mortgage loans as admitted assets under N.D. Cent. Code § 26.1-05-19(33), commonly known as the basket clause. **It is recommended that the Company's mortgage loan files contain adequate documentation evidencing compliance with N.D. Cent. Code § 26.1-05-19(24) including but not limited to: attorney's opinion or title insurance policy, amortization schedule, appraisal, real estate tax status, and evidence of hazard insurance coverage.**

Aggregate Reserve for Life Policies and Contracts

In its 2001 Annual Statement the Company reported the deficiency reserves on term policies and the reserve for the excess of the cash surrender value over the statutory reserve for universal life policies in Exhibit 8A rather than in Exhibit 8G. **It is recommended that the Company report the excess of the surrender value over the statutory reserve in Exhibit 8G and not as part of Exhibit 8A and it is recommended that the Company report deficiency reserves in Exhibit 8G as opposed to Exhibit 8A.**

CONCLUSION

The financial condition of the Company, as of December 31, 2001, as determined by this examination is summarized as follows:

Admitted Assets		$ 439,550,236
Total Liabilities	$ 405,903,698	
Surplus as Regards Policyholders	33,646,538	
Liabilities, Surplus and Other Funds		$ 439,550,236

In our opinion the accompanying balance sheet properly presents the statutory financial position of the Company as of December 31, 2001, and the accompanying statement of income properly presents that statutory results of operations for the period then ended. The supporting financial statements properly present the information prescribed by the North Dakota Century Code, North Dakota Administrative Code, and the National Association of Insurance Commissioners.

Since the last examination conducted as of December 31, 1996, the Company's admitted assets have increased $32,606,196, its total liabilities have increased $25,383,760, and its surplus as regards policyholders has increased $7,222,436.

The courteous cooperation extended by the officers and employees of the Company during the course of the examination is gratefully acknowledged.

In addition to the undersigned, Patrick White, CFE, INS Regulatory Insurance Services, Inc., and Rhoda Sautner, CPA, participated in this examination.

David Weiss, CFE
Examiner-in-Charge
State of North Dakota
Midwestern Zone (III), NAIC

SUBSEQUENT EVENTS

Effective January 1, 2002, the Company merged with American United Mutual Insurance Holding Company (AUMIHC). Under the merger the Company converted from a mutual to a stock insurance company and became a wholly-owned subsidiary of OneAmerica Financial Partners, Inc., an intermediate stock holding company, 100% owned by AUMIHC.

PENDING LITIGATION

The examiners reviewed alleged sales practices by an agency and two agents located in Iowa that sold Company policies during the period under examination and whose practices have resulted in two lawsuits filed in Iowa state and federal courts during 2002. The Company terminated the agency/agent contracts in June 2002. The first action was filed by a former policyholder against the Company, the agency, and the individual agent alleging breach of oral contract and written promissory note and involving an $87,000 loan to the agent and a $23,000 premium payment on a life policy issued by the Company. In the second action, the Company filed a Complaint against the agency and two individual agents alleging fraud, violation of RICO, breach of fiduciary duty, negligence, and breach of contract. The Company is seeking compensatory and punitive damages.

RECOMMENDATIONS

Page 17 It is recommended that the Company make the proper filings for new security acquisitions within the time frame set forth in the *Purposes and Procedures Manual of the SVO.*

Page 17 It is recommended that the Company's mortgage loan files contain adequate documentation evidencing compliance with N.D. Cent. Code § 26.1-05-19(24) including but not limited to: attorney's opinion or title insurance policy, amortization schedule, appraisal, real estate tax status, and evidence of hazard insurance coverage.

Page 17 It is recommended that the Company report the excess of the surrender value over the statutory reserve in exhibit 8G and not as part of exhibit 8A and it is recommended that the Company report the amount of deficiency reserves in exhibit 8G as opposed to exhibit 8A.